



Section: Finance
Title: Fund Balance
Adopted: January 19, 2012

620 – Fund Balance Policy

The Colonial School District recognizes that the continuance of a fund balance is essential for the preservation of the financial integrity of the district and is fiscally advantageous for both the district and the taxpayer. The district will maintain a fund balance in accordance with Pennsylvania School Code provisions. It is understood that conserving ample working capital conveys sound fiscal management that protects the bond rating of the district. This policy is designed to provide clearly defined categories to make the nature and extent of the constraints placed on a fund balance more transparent.

Fund balance is the net worth of the district measured by total assets less total liabilities in each fund. (*Or Fund balance is the difference between assets and liabilities in the governmental funds balance sheet*)

GASB 54 establishes financial reporting standards that improve the usefulness and understandability of fund balance information. Fund balance classifications comprise a hierarchy based primarily on the level to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The GASB 54 criterion organizes fund balance into specifically defined classifications to better understand the purposes for which the district has chosen to use particular funds.

Non-Spendable

Amounts that cannot be spent because they are either in a non-spendable form (inventory, for example), or legally or contractually required to be maintained intact (the principal of an endowment fund, for example).

Restricted

Amounts can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), or through legislation (whereas legislation creates a new revenue source and restricts its use). Restrictions may be changed or removed only with the consent of resource providers.

Committed

Amounts can be spent only for the specific purposes determined by board policy or board action (future anticipated costs, for example). Action must be taken by the board to commit fund balance for the designated purpose prior to the end of the fiscal year. Commitments may be changed or removed only with formal board action.

Assigned

Amounts intended to be used for a specific purpose as per a committee or individual authorized by the governing body. Typically, balances in special revenue accounts are assigned. These amounts are not restricted or committed.

Unassigned

Amounts available for any purpose in the General Fund and are not contained in the other classifications.

Restricted Fund Balance will be reduced to the extent that the underlying reason for the restriction has been eliminated.

Should the district experience an excess of expenditures over revenues for a given fiscal year, the fund balance will be expended in the following order:

- Restricted Fund Balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- Committed Fund Balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the School Board, committed fund balance will not be reduced by more than the amount designated in the plan.
- Assigned Fund Balance to the extent that expenditures related to the assignment contributed to the excess of expenditures over revenues.
- Unassigned Fund Balance for any remaining excess of expenditures over revenues.

The Superintendent or his/her designee shall be responsible for the enforcement of this policy. The Business Administrator, in conjunction with the Finance Committee, shall inform the Superintendent and the School Board of the steps recommended in complying with the requirements of this policy.

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